

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 645** HLS 14RS 484
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 10, 2014 9:43 AM	Author: HUNTER
Dept./Agy.: Civil Service/Labor	Analyst: Patrice Thomas
Subject: Establishes a State Minimum Wage Same as the Federal	

EMPLOYMENT/WAGES-MINIMUM OR INCREASE GF EX See Note Page 1 of 2
 Provides a state minimum wage

Proposed law establishes a state minimum same as the federal minimum wage. Proposed law requires that the employers of tipped employees make up the difference between the \$2.13 per hour plus tips and the state/federal minimum wage. Proposed law requires that if the federal minimum wage is raised, the state minimum wage shall also be raised. Proposed law provides that LWC shall enforce the minimum wage laws, promulgate rules and regulations necessary in its implementation, and impose fines between \$500 - \$1,000 per employee for failure to pay minimum wage. Proposed law excludes student workers employed with the state or state colleges and universities.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This proposed legislation will increase governmental expenditures by an indeterminable amount for the Workforce Commission associated with enforcement of this measure.

Civil Service

There is no anticipated direct material effect on State Civil Service as a result of this measure. Presently, all classified pay scales start at or above the federal minimum wage. Therefore, there are no state employees paid below Federal minimum wage.

Louisiana Workforce Commission

Presently, the State is under the federal minimum wage enforced by the U.S. Department of Labor (US DOL), Wage and Hour Division through the Fair Labor Standards Act (FLSA). As such, the U.S. Wage and Hour Division handle the majority of wage and hour complaints. As of January 2014, 21 states and the District of Columbia (DC) have minimum wages above the federal minimum wage. According to the Louisiana Workforce Commission (LWC), in states that have a state minimum wage law, the US DOL depends on the state to handle the majority of wage and hour complaints.

The proposed legislation requires that the LWC enforce the new state minimum wage under the state's labor law. According to LWC, a new division called the Wage and Hour Division will be created to handle wage and hour complaints. LWC indicates enforcement division may require an assistant, investigator, staff attorney and IT programmer as well as operating costs to handle additional complaints that would apply to the new state minimum wage. Presently, the LWC collects wage information from employers through the unemployment insurance (UI) wage web-based portal; however, the UI wage portal does not collect the hourly rate of pay. Therefore, the existing UI wage portal will have to be reprogrammed to collect the hourly rate of pay so that LWC can enforce this measure.

Continued on Page 2

REVENUE EXPLANATION

This proposed legislation creates fines of \$500 to \$1,000 per employee for failure to pay federal minimum wage. However, the legislation does not specifically indicate how fines are to be deposited and expended. The Legislative Fiscal Office (LFO) assumes fines will be available to mitigate enforcement cost by the Louisiana Workforce Commission (LWC). In addition, the LFO cannot anticipate the amount of funding that may be collected in fines from employers that fail to comply with state minimum wages.

Senate	<u>Dual Referral Rules</u>	House	<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 John D. Carpenter Legislative Fiscal Officer
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}		
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		

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CONTINUED EXPLANATION from page one:

(Continued Expenditure Explanation from Page 1)

The proposed legislation is silent on the intensity or level of enforcement. The LWC has estimated cost associated with three levels of enforcement options: (1) minimum enforcement; (2) targeted enforcement; and (3) advance enforcement. Under the minimum enforcement option, the LWC would answer questions and investigate wage and hour complaints. Under the targeted enforcement option, the LWC would target industries that employ the highest number of minimum wage workers. Finally, under the advanced enforcement option, the LWC would audit approximately 2% of the 120,000 employers in the state. See table below.

	FY 15	FY 16	FY 17	FY 18	FY 19
Minimum Enforcement	\$ 735,026	\$ 564,502	\$ 586,182	\$ 608,729	\$ 632,179
Targeted Enforcement	\$1,201,565	\$ 961,491	\$ 999,050	\$1,038,112	\$1,078,737
Advance Enforcement	\$2,050,456	\$1,710,697	\$1,778,225	\$1,848,454	\$1,921,492

Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter

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